



# CDTFA

CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

**Assembly Committee on Revenue  
and Taxation**

## **Spending on Autopilot: A Review of California's Tax Expenditure Programs**

February 22, 2023

# CDTFA Overview

## CDTFA administers 39 tax and fee programs

Alcoholic Beverage Tax  
Bradley Burns Uniform Local Sales and Use Tax  
California Tire Fee  
California Electronic Cigarette Excise Tax  
Cannabis Taxes  
Childhood Lead Poisoning Prevention Fee  
Cigarette & Tobacco Products Licensing Program  
Cigarette & Tobacco Products Tax  
Cigarette Tax Stamp Program  
Covered Electronic Waste Recycling Fee  
Diesel Fuel Tax  
Emergency Telephone Users (911) Surcharge and Local Charges  
Energy Resources (Electrical) Surcharge

Hazardous Waste Activity Fee  
Hazardous Waste Disposal Fee  
Hazardous Waste Environmental Fee  
Hazardous Waste Facility Fee  
Hazardous Waste Generation and Handling Fee  
Integrated Waste Management Fee (Solid Waste & Wood Waste)  
International Fuel Tax Agreement (IFTA) and  
Interstate User Diesel Fuel Tax  
Jet Fuel Tax  
Lead-Acid Battery Fees  
Lithium Extraction Excise Tax  
Lumber Products Assessment  
Marine Invasive Species (Ballast Water) Fee  
Motor Vehicle Fuel Tax  
Natural Gas Surcharge

Occupational Lead Poisoning Prevention Fee  
Oil Spill Prevention and Administration Fee & Oil Spill Response Fee  
Sales Tax  
Tax on Insurers  
The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act (Proposition 19)  
Timber Yield Tax  
Transactions and Use Taxes  
Underground Storage Tank Maintenance Fee  
Use Fuel Tax  
Use Tax  
Water Rights Fee



# Sales and Use Tax

## Sales and Use Tax Rate

Rate	Jurisdiction	Purpose
3.6875%	State	General Fund
0.25%	State	General Fund
0.50%	State	Local Public Safety Fund
0.50%	State	Local Revenue Fund (health and social services)
1.0625%	State	Local Revenue Fund 2011
1.25%	Local (Bradley Burns)	0.25% County Transportation/1.00% City/County Ops.
Total: 7.25%	State/Local	Total Statewide Base Sales and Use Tax Rate



# Sales and Use Tax

## Local Sales and Use Tax Allocation

- Sales and use taxes are allocated to cities and counties based on a complex set of rules.

## District Taxes

- Add-on to base sales and use tax rate
- Fund local public services and infrastructure
- In fiscal year (FY) 2021-22, CDTFA administered 379 district taxes



# Other Taxes and Fees

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**Allocated to funds specified in legislation for purposes such as:**

- Road and highway maintenance
- Emergency services
- Natural resource preservation
- Social services
- Healthcare



# Tax Expenditures

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## **Credit – Offsets tax liability**

- Example: Main Street Small Business Tax Credits

## **Exemption – Exception to tax imposition**

- Example: Manufacturing and Research and Development Equipment Exemption

## **Exclusion – Excluded from tax base**

- Examples: Certain cash discounts, charges for installation labor, admission charges, and sale of securities

# Tax Expenditures

Category	Description	Amount
Necessities of Life	Food Products	\$9.8 billion
Necessities of Life	Gas/Electricity/Water/Steam	\$6.2 billion
Necessities of Life	Prescription Meds/Medical Devices	\$5.2 billion
Industry Benefit	Manufacturing/R&D	\$343 million
Industry Benefit	Motion Picture/Production Services	\$158 million
Industry Benefit	Farm Equipment/Machinery	\$147 million
Value-Based	Delivered Meals to Elderly/Disabled	\$138 million
Value-Based	Recycled Feedstock/Advanced Manufacturing and Transportation	\$89 million
	<b>(Partial List)</b>	



# Tax Expenditures

## Partial Exemptions

- Manufacturing and research and development (3.9375%)
- Farm equipment and machinery (5%)
- Gasoline (5%) – the reduced sales tax rate is offset by an increased excise tax rate per gallon
- Teleproduction or other postproduction service equipment (5%)
- Diesel fuel used in farming activities or food processing (5%)
- Timber harvesting equipment (5%)
- Racehorse breeding stock (5%)
- Zero-emission transit bus (3.9375%)
- Zero-emission motor vehicle (3.9375%)
- Diesel fuel – temporary partial exemption Oct 1, 2022 – Sep 30, 2023 (3.9375%)



# Audit Program

## Presence of an audit program encourages voluntary compliance

- Goal to collect no more and no less than tax owed
- Concentrate on those most likely to have compliance issues
- Improving analytics with machine learning to identify reporting errors
- Testing new approaches, letter campaigns and desk audits for greater efficiency, early intervention, and lower taxpayer burden

# Questions?

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